

FISCAL NOTE

HB 2520 – SB 2606

March 20, 2006

SUMMARY OF BILL: Allocates to any municipality (City of Oak Ridge), where there is a public museum (American Museum of Science and Energy [AMSE]) whose primary focus is the history of atomic energy and has had an annual budget of at least \$1.0 million in each of the last five years, an amount equal to one-half (50%) of the amount of state and local sales tax revenue derived from sales occurring within any parcel contiguous to such parcel. Requires allocation be used exclusively for the operational expenses of such public museum (AMSE).

ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$8,250 One-Time

Increase State Expenditures - \$8,250 One-Time

Forgone State Revenues – \$2,450,000 - Recurring – Earmarked for the AMSE

Forgone Local Govt. Revenues – City of Oak Ridge - \$790,000 – Recurring – Earmarked for the AMSE

Increase Local Govt. Expenditures - \$8,250 One-Time

Other Fiscal Impact (1) – A total of \$3,240,000 will be earmarked for the AMSE. These funds come from the forgone state revenues of \$2,450,000 and the forgone local government revenues of \$790,000. The AMSE is required to use these funds for the operational expenses of the museum.

Assumptions:

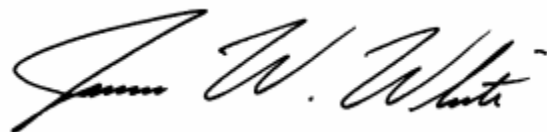
- No portion of revenue derived from the increases in the rate of sales and use tax occurring in 1992 and 2002 shall be apportioned for this purpose.
- Prior to any annual distribution for this purpose, an amount equal to the state sales and use taxes collected within such area during FY2004-2005 shall be deposited into the treasury and allocated as otherwise provided by law.
- According to Department of Revenue (DOR) sources, this parcel will be redeveloped into a major retail center with at least one big box retailer.
- Identified property is undeveloped public land owned by the Department of Energy.
- No state or local sales tax is being generated from identified property.
- The redevelopment of this parcel occurs regardless of the outcome of this proposed legislation.
- According to the DOR, the average amount of state sales tax remitted by a big box retailer is \$3.2 million per year.

- The average taxable sales by a big box retailer would then be approximately \$45.7 million per year (\$3.2 million ÷ 7% state rate = \$45.7 million).
- The major retailer accounts for at least 65% of all taxable sales on the redeveloped parcel.
- Taxable sales on the redeveloped parcel is estimated at \$70.3 million per year (\$45.7 million ÷ 65% = \$70.3 million).
- The amount of state sales tax revenue estimated to be generated on the redeveloped parcel is \$4.9 million per year (\$70.3 million X 7% state rate = \$4.9 million).
- Forgone state revenue is estimated at \$2.45 million (50% of \$4.9 million would be earmarked for the AMSE).
- The remaining state sales tax revenue generated from the redeveloped parcel (\$2.45 million) would occur regardless of the outcome of this legislation and would be available for the general purposes of state government.
- The amount of local government sales tax revenue estimated to be generated on the redeveloped parcel is \$1.58 million per year (\$70.3 million X 2.25% local option rate = \$1.58 million).
- The City of Oak Ridge would forgo approximately \$790,000 (50% of \$1.58 million would be earmarked for the AMSE).
- The remaining local government sales tax revenue generated from the redeveloped parcel (\$790,000) would occur regardless of the outcome of this legislation and could be used by the City of Oak Ridge for general purposes.
- This act is contingent upon the City of Oak Ridge reimbursing the DOR for any software modifications required to implement this act.
- Software modifications are estimated to cost \$8,250.
- According to the DOR, the provisions of this bill could not be administered under the Streamlined Sales Tax Agreement scheduled to take effect July 1, 2007.

Note: If the redevelopment identified is contingent upon the passage of this legislation, the incremental impact would be that state revenues would increase by an amount estimated at \$2,450,000 and local government revenues would increase by an amount estimated at \$790,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director